

Human Services Committee
Proposed Bill No. 6550
An Act Concerning Medicaid Provider Audits
February 10, 2015

Representative Abercrombie, Senator Moore and Distinguished Members of the Human Services Committee

My name is Edmund J. Funaro, Jr., Director of Visels Pharmacy, New Haven, CT, a family owned and operated independent, retail pharmacy, serving the community since 1913. I have been a licensed pharmacist for 29 years. I am submitting this testimony in support of Proposed Bill No. 6550, An Act Concerning Medicaid Provider Audits. I thank the Committee for proposing this bill.

Visels Pharmacy is located in the underserved Dixwell/Newhallville neighborhood of New Haven. We provide a vast array of pharmacy and convenience services including free home delivery to our homebound patients. We have a staff of 18 full and part time employees, many hired from within the community we serve. We support many local community organizations and are considered an anchor business in this federally recognized Empowerment Zone.

Visels Pharmacy was subject to a State of Connecticut, Department of Social Service, Office of Quality Assurance audit on January 22, 2014 covering a period of July 1, 2010 through June 30, 2013. During this time period, Visels Pharmacy dispensed 54,027 prescriptions to Medicaid recipients of which the auditor reviewed 100 randomly selected prescriptions from this universe of claims.

A draft audit report was issued on March 5, 2014 indicating six prescription discrepancies were found. Three were noted as Non-Financial Adjustments/Miscellaneous Exceptions while the other three prescriptions were indicated to be audit exceptions totaling \$268.04.

The extrapolation formula currently utilized by the DSS calculated the amount due from Visels Pharmacy at \$144,814. The total audit exception amount(\$268.04) divided by the number of prescriptions audited(100) multiplied by the total number of prescriptions filled during the audit period(54,027) equals the financial disallowances and the total amount due from Visels Pharmacy(\$144,814).

Three prescriptions, dispensed to the correct patients, for the correct medications, with the correct directions, billed for the proper reimbursement with a total billed value of \$268.04 and Visels Pharmacy is being penalized \$144,814 for what can only be construed to be clerical errors. How can this be considered justified?

As Visels Pharmacy's initial audit results demonstrate, the extrapolation process currently utilized for Medicaid audits is extremely unfair and potentially creates an insurmountable financial burden for providers. The intent of an audit should be to detect and deter fraud, waste and abuse, not to extract excessively punitive recoupments for claims due to clerical, computer or record keeping errors.

The challenges to a small business are enormous and the economic pressures on an independent, community retail pharmacy are ever increasing. The erosion of our patient base due to mandatory mail order, preferred Med D pharmacies with lower co-pays, improper prescription reimbursement caused by outdated generic MAC pricing and the ever declining reimbursement rates along with unreasonable Medicaid audit recoupments, if left unchecked, may cause irreparable financial harm.

Although Visels Pharmacy prevailed in our contesting of these most recent audit findings, what will future audit findings hold? While I am sure all would agree that the audit process needs to be fair and reasonable,

the issue of differentiating clerical errors from fraud needs to be addressed. Post audit documentation should be allowed and any financial recoupment based on the extrapolation of audit exceptions due to clerical, computer or record keeping errors should be disallowed.

On behalf of Visels Pharmacy and all independent community pharmacies in the State of Connecticut, I sincerely hope that the Human Services Committee can ensure that audits of Medicaid providers are fair and reasonable.

I ask for your consideration of the inclusion of additional extrapolation protection and continued support of Proposed Bill No. 6550.

Sincerely,

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